

**Testimony of Michigan Governor Jennifer Granholm
to the
Subcommittee on Highways, Transit and Pipelines
Committee on Transportation and Infrastructure
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The Honorable Jennifer M. Granholm
Governor, State of Michigan
111 South Capitol Street
Romney Building
Lansing, MI 48909
(517) 335-7858

Good morning. My name is Jennifer Granholm, Governor of the State of Michigan, and I am here to speak to you about the reauthorization of the Transportation Equity Act for the 21st Century (TEA-21) and its importance to the people of the state of Michigan. I am also appearing in front of you today as a representative of a donor state seeking our fair share of highway funding. I appreciate having the chance to join Chairman Petri, Ranking Member Lipinski and the rest of your colleagues, including both committee members from our state, Congressman Hoekstra and Congressman Ehlers.

Mr. Chairman, Michigan is a very diverse state, with correspondingly diverse transportation needs. We have both densely populated urban centers and sparsely populated rural areas. We have a highly developed manufacturing base, popular tourism and recreation sites, and a strong agricultural sector. To meet the needs of the people and businesses who live and thrive in Michigan, we have a full complement of transportation systems.

TRANSPORTATION AND THE ECONOMY

For Michigan, as for many states, transportation is a vital economic component. As the world-wide center of automotive manufacturing, Michigan needs reliable transportation systems to provide just-in-time parts delivery. Our popular Great Lakes beaches and other recreation sites attract millions of tourists each year, most of them by car. Our agricultural sector, among the most diverse in the country, ships flowers and produce around the world. The international border between Michigan and Ontario, Canada, has the busiest border crossings in the country. The dollar value of Michigan's trade with Canada alone is greater than the value of all US trade with the European Union. We know, in Michigan, that investing in transportation infrastructure and services to support the economy is not something we can afford to ignore.

I want you to know that Michigan's transportation systems are vital, not just to Michigan, but to other states as well. Michigan's quietly running economic engine powers a good part of the rest of the country.

Truck-freight flows to and from the State of Michigan are enormous, reaching each of the other 47 contiguous states as well as the Canadian provinces. Heavy automobile and truck manufacturing, as well as significant agricultural production, drive both long haul and truck freight movement. It has been conservatively estimated that there are approximately one million tons of cargo moving each day on Michigan highways.

Michigan's transportation corridors – highways, waterways and rail – function as a primary artery for the movement of international goods. In 2000, 27 percent of all land-based trade (\$155 billion) between Canada, the United States, and Mexico moved through Michigan's three principal ports of entry – Detroit, Port

Huron, and Sault Ste. Marie. \$94 billion in trade goods flowed through the port of Detroit, making it the number one land port of entry in North America.

More than 5 million trucks cross the Michigan/Ontario border every year. That's one truck crossing Michigan's borders every six seconds, 24 hours a day, 365 days a year. More than 20 million cars cross the Michigan/Ontario border each year and Port Huron and Detroit, Michigan, rank as the first and second busiest rail ports of entry into the United States. A large percentage of the goods coming from Ontario moves through Michigan to states across the country.

THE TRANSPORTATION EQUITY ACT FOR THE 21ST CENTURY

TEA-21 provided much-needed federal funds to address our growing transportation needs, and for that we thank you. In particular, three aspects of the law were important:

1. TEA-21 retained the integrated approach to transportation funding and planning that began with the previous authorizing legislation, the Intermodal Surface Transportation Efficiency Act, or ISTEA. It recognized that transportation is more than just highways and cars; it includes bicycles and buses, ferries and freight trains, and intelligent transportation systems as well as traditional infrastructure. It broadened the focus of transportation investment to encourage a realization of how that investment actually impacts the lives of people and the conduct of business.
2. TEA-21 strengthened the ability of state and local transportation agencies to address their most critical transportation priorities by increasing funding flexibility, streamlining planning processes, and by encouraging greater stakeholder and public involvement in transportation decision making processes. With the completion of the Interstate Highway System, TEA-21 enabled Michigan and other states to focus more effectively on system preservation, safety, and mobility.
3. TEA-21 increased transportation funding to Michigan by guaranteeing that all user fees going into the Highway Trust Fund would go to transportation. It also took a major step toward funding equity for donor states like Michigan. For many years, we've sent millions more in transportation revenues to Washington than we've gotten back. TEA-21 increased federal highway funding for Michigan by 60 percent, from a yearly average of \$515 million to \$825 million per year, helping our state accelerate much-needed highway and transit improvements. Michigan also enjoyed an increase in transit funding, from an annual average of \$60 million to \$86 million, primarily because of our success in securing bus discretionary funds. By combining these federal funds with an increase in state fuel tax

revenues, Michigan was able to sustain record levels of highway and transit investment over the six-year period of the bill.

HOW TEA-21 FUNDS WERE USED IN MICHIGAN

We invested TEA-21 money wisely and well. Allow me to share a few examples of how Michigan has used TEA-21 funds to address our transportation needs.

At the state level, preserving our existing highway system has been our number one priority. Under TEA-21, Michigan improved an average of 270 miles of state highways and 280 upgraded state highway bridges each year. We extended the life of 1,000 miles of pavement each year with preventive maintenance. We developed a statewide, multi-jurisdictional approach to highway investment that made Michigan a national leader in asset management.

One good example of how Michigan used its federal funds to preserve the highway system and improve its safety and efficiency is the redesign and reconstruction of US-131, known locally as the "S-Curve Project," so named because of the "S" shaped curve of that stretch of highway. The project became necessary when settling of the river bed supporting the elevated highway caused significant damage to the existing bridge, which carries more than 100,000 vehicles daily over the Grand River in the city of Grand Rapids. The project was the largest and most complex civil engineering project ever launched in West Michigan, and it was a resounding success made possible with federal funds. The bridge was repaired, the S-curve was straightened to improve safety, the archeological artifacts discovered in the river bed were recovered, the potential economic impact to local business minimized, and all of it completed in less than one year, ahead of schedule.

Michigan also placed a high priority on reducing traffic congestion and improving safety. In the past five years, we added 80 miles of passing relief lanes on our rural two-lane highways. We worked with our local governments to implement a statewide access management strategy that limits curb cuts and driveways in developing urban areas to keep congestion from growing. And in the major metropolitan area in Southeast Michigan, we became a national leader in the deployment of ITS systems to reduce traffic congestion and improve safety.

We made investments in highway safety, improving infrastructure and encouraging safer driving. Thanks in part to funding through TEA-21, the rates of injuries and fatalities from vehicular crashes in Michigan continue to decline.

We worked hard to protect and improve Michigan's environment using federal transportation enhancement funds. We worked with local agencies and the private sector to fund 700 state and local enhancement projects, totaling nearly \$220 million over the past six years, including streetscapes, historic preservation,

pollution control and non-motorized travelways. Michigan is one of two states with an approved wetlands regulatory program. We believe that creative approaches to wetlands and habitat planning and mitigation should be more actively encouraged in the next reauthorization bill so that there is earlier and better coordination between state departments of transportation and their natural resources agencies.

We invested more than \$187 million of Congestion Mitigation and Air Quality (CMAQ) funds in projects like carpool lots, rideshare programs and traffic signal coordination to improve air quality in non-attainment areas. As a result, our biggest metropolitan county, which includes the city of Detroit, went from being a non-attainment area to a maintenance area a few years ago.

We invested in economic development projects, which benefit not just Michigan, but the entire national economy. During TEA-21, Michigan invested more than \$800 million in our international trade corridors. Only \$26 million of that money came from the TEA-21's Corridors and Borders Program. To ensure that international trade flows efficiently through our borders and along our trade corridors, Michigan will have to invest another \$800 million more in our transportation infrastructure in the years to come.

Border crossings have also become the focus of national security activities. Shortly following the September 11th attacks, the line of trucks waiting to enter Michigan stretched 18 miles. Many of these trucks were carrying goods to Michigan factories whose deliveries are scheduled in minutes. We need the resources that will allow for this bi-national commerce to flow as quickly and efficiently as possible.

TRANSIT ACCOMPLISHMENTS AND POLICY

Mr. Chairman, even though Michigan is the automotive capital of the world, we don't just drive. We rely on other modes of transportation as well, particularly public transit. I am proud to tell you that public transit can be found in each of Michigan's 83 counties. Michigan's public transit systems serve 90 million residents and visitors each year.

We have fixed-route bus systems serving 16 urbanized areas, including urban and suburban Detroit, Grand Rapids, Lansing, Flint, Saginaw, Ann Arbor, Battle Creek, Bay County, Benton Harbor, Holland, Jackson, Kalamazoo, Muskegon, Niles, and Port Huron. Seventy non-urban systems provide fixed-route or demand-response services, and 134 specialized service systems focus on seniors and persons with disabilities.

Under TEA-21, Michigan invested its federal transit funds to purchase nearly 2,200 buses or vans. We invested \$86 million in facilities, and \$149 million for

equipment and preventive maintenance. Still, many of these systems suffer with aging vehicles, outdated facilities, and inadequate communications technologies.

Despite the significant commitment of federal funds, Michigan and many other states have large, unmet transit needs in both rural and urban areas. It will take a combination of federal, local, and state funds to meet these needs. In Michigan, federal funds have not been sufficient to support our bus transit systems in the way that rail transit systems have been supported in other states. Michigan has had to devote a significant amount of state fuel tax and sales tax revenues to transit because we have not chosen to build a costly commuter rail system which would have made us eligible for more federal funds.

Overall, the return of states' contributions to the Mass Transit Account ranges from an enviable 400% to a disappointing 15%. Fifteen states receive over two-thirds of federal transit funds, while the other 35 – the “donor” states - share the remaining third. Michigan's rate of return is a mere 43%. This disparity is unfair to small-city and rural transit users, and to the majority of transit riders in the United States who rely on buses instead of rail transit. Bus transit is as crucial to maintaining people's independence in small cities as rail systems are in our largest cities.

Michigan's transit agencies will need to invest \$1.5 billion over the next six years to maintain their systems and make the most desperately-needed expansions. The number would be higher if we try to catch up with new economic activity and to connect people with outlying jobs. If Michigan continues to receive federal funds at its current return of less than half its contribution to public transit, we will remain more than \$700 million short of meeting our existing needs.

And while Michigan's 83 counties have public transportation services, nearly 40 percent lack comprehensive countywide systems. Capital investment is needed to complete our transit network.

Nowhere is this more evident than in the Detroit area. The existing service providers - the Suburban Mobility Authority for Regional Transportation (SMART) and Detroit Department of Transportation (DDOT) - move more than 50 million passengers a year. However, it is still easier for a suburban manufacturer to ship a container of auto parts to Hamburg or Yokohama than to bring willing workers from Detroit to Rochester or Novi. No less than \$160 million in capital improvements are needed to the transit systems in the Detroit metropolitan area to provide a denser route map and more frequent service. But that is more than twice the total federal formula grants provided to all of Michigan's urban systems in 2002. This kind of imbalance confronts all of America's bus systems. Federal transit aid should be made equally available to every transit user in America, regardless of the kind of transit vehicle they're riding.

MICHIGAN'S PRIORITIES FOR TEA-LU REAUTHORIZATION

TEA-21 and ISTEA have established a solid foundation for transportation investment in our country. While TEA-21 has been positive for Michigan, we believe improvements can be made to this law that will more effectively address our state's transportation needs during the coming years.

1. Funding Equity: Congress must recognize the critical transportation needs of donor states and ensure a more equitable distribution of both highway and transit funds. Michigan strongly supports the proposal developed by the State Highway Alliance for Real Equity (SHARE) to guarantee all states a minimum 95% rate of return, and urges this committee to adopt it. Michigan has for many years supported the construction and reconstruction of highways throughout the country. It is time for Congress to recognize Michigan's contributions to the national transportation network and provide the resources we need to preserve and rebuild our transportation infrastructure.
2. A Sustainable Program: Of utmost importance is for Congress to enact a six-year authorization bill that is sustainable and predictable. Our first priority is predictability. States need to be able to count on federal aid to sustain their programs at a steady pace for at least six full years. Michigan plans its transportation projects five years into the future. This five-year calendar has been very useful to road users, local governments, and contractors.
3. Equity for transit: It is also important to work towards a 95 percent rate of return on contributions to the Transit Account of the Trust Fund. Michigan has major unmet public transportation needs in both our urban and rural communities that cannot be adequately addressed by the current structure and distribution priorities. I urge you to provide new funding for a transit needs program that can help states like Michigan, which use bus systems, rather than rail, to meet urban, rural, elderly, and handicap transportation needs.
4. Funding guarantees and firewalls: The Federal Highway Trust Fund balances should be spent down as far as possible to meet current pressing highway needs. In addition, the funding guarantees and firewalls in TEA-21 are generally a sound way to match spending to revenues and should be continued. However, as the Subcommittee well knows, the Revenue Aligned Budget Authority (RABA) mechanism in TEA-21 needs to be modified to eliminate dramatic swings in transportation funding.

5. More federal transportation funding: The Federal Highway Administration (FHWA) condition and performance report demonstrates states' inability to maintain our transportation systems at the TEA-21 funding level. Moreover, we must have sufficient resources available to make critical improvements that strengthen Michigan's economic growth and safety. Michigan strongly supports the bipartisan call of this Committee's leadership for a \$50 billion federal transportation program for fiscal year 2004.
6. Flexibility: To leverage our limited dollars more effectively, state and local transportation agencies need more flexibility to use federal funds for projects identified during their planning and public involvement processes. For example, at the recent National Governors Association meeting, there was discussion of including a one year waiver of states' TEA-21 matching requirements as a flexible financing tool. Also, because each state has unique needs, they should be given the discretion to allocate their guaranteed return for any qualified project in their highway and transit programs. I urge Congress to actively explore these and other proposals that will help us move the dollars more quickly to stimulate jobs and economic growth in every community.
7. Preservation of our transportation systems: Because Michigan was a pioneer in freeway construction in the 1940's and 1950's, some of our major freeways pre-date the Eisenhower Interstate System. While we have made some progress, such as reconstructing the 1947 Lodge Freeway and the US-131 river crossing in the heart of Grand Rapids, billions of dollars will be needed to complete the process. Reconstruction of I-94 in metropolitan Detroit, for example, will cost more than \$1 billion. This will require innovative approaches to financing and completing large urban transportation projects, both for highways and transit.
8. More secure borders: The borders program begun under TEA-21 should be expanded and separated from the corridors program. With the dramatic growth in international trade activity at our land borders, as well as increased national security requirements following the September 11, 2001 terrorist attacks, new demands are being placed on border states to ensure the safe and efficient movement of people and goods. The current Federal Borders and Corridors program does not adequately address our border needs. To ensure that the program truly enhances border security, the highest priority should be to place adequate resources at our nation's busiest ports of entry. The funds should be apportioned to the states based on proximity to border crossings, traffic volume at those crossings, and by the value of goods crossing the border. Just last week, a bipartisan group of Members from the other body recognized the border security deficit by introducing legislation that would invest close to one billion dollars in modernizing border infrastructure and technology. While

the Federal Highway Trust Fund should not fully absorb this important national security mandate, I urge the Committee to work with the states to provide flexibility to meet our critical border needs.

9. Focus on safety and security: The reauthorization bill should continue the safety-conscious planning process begun under TEA-21, and other activities that will improve transportation safety. However, federal aid for safety projects should not be finely subdivided into tiny grants that may or may not match a state's needs. The many existing safety programs should be combined into a flexible safety block grant.
10. Environmental stewardship: Michigan supports national efforts to improve the environmental review process for transportation projects and to imbue the ethic of stewardship for the environment into transportation planning. There are many ways to improve and bring certainty to the project development process. Michigan has already initiated several successful efforts to coordinate environmental review activities. We also have initiated transportation policies that go beyond mere environmental compliance, choosing instead to maximize our ability to protect and improve both Michigan's environment and its transportation infrastructure.

In conclusion, Mr. Chairman, I very much appreciate the opportunity to present my views before this esteemed Subcommittee. On behalf of the citizens of my state, I cannot say strongly enough how important an equitable, fair, comprehensive, multi-year transportation bill is to strengthening Michigan's foundation for economic growth, mobility, and transportation security. The State of Michigan looks forward to working with Congressman Hoekstra and Congressman Ehlers to assure that this reauthorization measure surpasses the gains Michigan has made under TEA-21, while providing any possible assistance to this Subcommittee so Congress will pass a strong multi-year re-authorization bill this year.

Thank you for your time and your attention, Mr. Chairman. I would be pleased to answer any questions you or you colleagues may have.